



Molemole Municipality

Molemole Local Municipality
(Registration number LIM0353)
Financial statements
for the year ended 30 June 2018

Molemole Local Municipality

(Registration number LIM0353)

Financial Statements for the year ended 30 June 2018

General Information

Legal form of entity

Local Government

Nature of business and principal activities

Performing the functions as set out in the Constitution (Act no 105 of 1996). Providing municipal services and maintaining the best interests of the local community mainly in the Mogwadi area.

Mayor

Cllr M E Paya

Councillors

Cllr E. M Rathaha

Cllr M. S . Moreroa

Cllr N W Seakamela

Cllr M. P Tawana

Cllr M D Lehong

Cllr N F Rampyapedi

Cllr M A Kobo

Cllr P T Rathete

Cllr R L Mpati

Cllr S R Nakana

Cllr M Q Malema

Cllr M J Manthata

Cllr G M Sepheso

Cllr N S Ramukhubedu

Cllr. S E Kobola

Cllr M Duba

Cllr P S Maoga

Cllr M P Makgato

Cllr M L Moabelo

Cllr N M Hopane

Cllr D Matlou

Cllr N G Makgalo

Cllr M A Makgoka

Cllr T Raphaswana

Cllr M D Marutha

Cllr M I Mohafe

Cllr M D Meso

Cllr P T Rakimane

Cllr M J Leferela

Cllr M C Matjee

Cllr M P Tloubatla

Business address

303 Church Street

Mogwadi

0715

Grading of local authority

Level 3 Local Municipality

Acting Chief Finance Officer (CFO)

Mr. AS Nkalanga

Accounting Officer

Mr. ML Mosena

Postal address

Private Bag X44

Mogwadi

0715

Molemole Local Municipality

(Registration number LIM0353)

Financial Statements for the year ended 30 June 2018

General Information

Bankers

Nedbank

Auditors

Office of the Auditor General (Limpopo)

Molemole Local Municipality

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Appendix B: Analysis of Property, Plant and Equipment

Appendix G(2): Budgeted Financial Performance (revenue and expenditure by municipal vote)

COIDA	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
CIGFARO	Chartered Institute of Government Finance and Risk officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
VAT	Value Added Tax

Molemole Local Municipality

(Registration number LIM0353)

Financial Statements for the year ended 30 June 2018

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and was given unrestricted access to all financial records and related data.

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2019 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The financial statements set out on pages 5 to 65, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2018 and were signed on its behalf by:

**Accounting Officer
Designation**

Molemole Local Municipality

(Registration number LIM0353)

Financial Statements for the year ended 30 June 2018

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2018.

1. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality and that the subordination agreement referred to in note XX of these financial statements will remain in force for so long as it takes to restore the solvency of the municipality.

2. Accounting policies

The financial statements prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP), including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

Molemole Local Municipality

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Financial Statements for the year ended 30 June 2018

Statement of Financial Position as at 30 June 2018

Figures in Rand	Note(s)	2018	2017 Restated*
Assets			
Current Assets			
Inventories	7	160 959	136 520
Receivables from exchange transactions	8	12 181 543	10 487 004
Receivables from non-exchange transactions	9	47 629 368	33 860 149
VAT receivable	10	11 090 998	8 935 143
Cash and cash equivalents	11	41 577 792	55 607 102
		112 640 660	109 025 918
Non-Current Assets			
Investment property	2	1 744 335	1 787 668
Property, plant and equipment	3	212 264 210	186 396 766
Intangible Assets	4	1 945 251	402 493
heritage Assets	5	368 150	368 150
		216 321 946	188 955 077
Total Assets		328 962 606	297 980 995
Liabilities			
Current Liabilities			
Finance lease obligation	13	196 522	294 229
Payables from exchange transactions	18	19 871 147	15 961 812
Consumer deposits	19	502 526	501 449
Unspent conditional grants and receipts	14	4 276 606	21 007 938
Other current liability	16	1 809 795	825 096
Employee Benefit Obligation	17	6 503 496	6 179 744
		33 160 092	44 770 270
Non-Current Liabilities			
Finance lease obligation	13	513 306	-
Employee benefit obligation	6	6 663 822	6 976 304
Provisions	15	14 095 590	12 871 578
		21 272 718	19 847 882
Total Liabilities		54 432 810	64 618 152
Net Assets		274 529 796	233 362 836
Reserves			
Revaluation reserve	12	41 894 856	41 894 856
Accumulated surplus		232 634 933	191 467 979
Total Net Assets		274 529 796	233 362 836

* See Note 45 & 44

Molemole Local Municipality

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Financial Statements for the year ended 30 June 2018

Statement of Financial Performance

Figures in Rand	Note(s)	2018	2017 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	21	10 064 112	8 959 702
Rental of facilities and equipment	22	340 423	268 872
Interest received - debtors		1 138 975	1 574 496
Licences and permits	24	2 455 745	3 471 446
Commissions received		2 269 216	2 368 846
Other income	25	315 892	582 421
Gain on disposal of assets		102 235	-
Actuarial gains		1 472 458	1 335 841
Interest received - external investment	26	1 575 122	2 422 613
Total revenue from exchange transactions		19 734 178	20 984 237
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	27	16 184 010	13 663 498
Transfer revenue			
Government grants & subsidies	28	167 951 927	152 920 507
Public contributions and donations		-	29 532 147
Traffic Fines	23	1 008 500	1 208 600
Total revenue from non-exchange transactions		185 144 437	197 324 752
Total revenue	20	204 878 615	218 308 989
Expenditure			
Employee related costs	29	(67 442 050)	(64 261 499)
Remuneration of councillors	30	(12 031 429)	(10 568 433)
Depreciation and amortisation	31	(7 527 326)	(8 529 313)
Finance costs	32	(1 188 951)	(1 094 931)
Debt Impairment	33	(3 969 726)	(8 024 716)
Bulk purchases	35	(9 198 303)	(7 502 657)
Contracted services	36	(15 909 210)	(13 963 294)
Loss on disposal of assets and liabilities		-	(33 404)
General Expenses	34	(46 444 666)	(48 291 886)
Total expenditure		(163 711 661)	(162 270 133)
Surplus for the year		41 166 954	56 038 857

* See Note 45 & 44

Molemole Local Municipality

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Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
Opening balance as previously reported	41 894 856	133 188 555	175 083 411
Adjustments			
Correction of errors - see note 41	-	2 240 568	2 240 568
Balance at 01 July 2016 as restated*	41 894 856	135 429 123	177 323 979
Changes in net assets			
Surplus for the year	-	56 038 856	56 038 856
Total changes	-	56 038 856	56 038 856
Restated* Balance at 01 July 2017	41 894 856	191 467 979	233 362 835
Changes in net assets			
Surplus for the year	-	41 166 954	41 166 954
Total changes	-	41 166 954	41 166 954
Balance at 30 June 2018	41 894 856	232 634 933	274 529 789
Note(s)	12		

* See Note 45 & 44

Molemole Local Municipality

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Financial Statements for the year ended 30 June 2018

Cash Flow Statement

Figures in Rand	Note(s)	2018	2017 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		14 343 389	29 320 053
Grants		150 949 317	141 491 583
Interest Income		1 575 122	2 100 559
		<u>166 867 828</u>	<u>175 334 808</u>
Payments			
Suppliers		(145 755 371)	(141 788 880)
Finance costs		(1 188 951)	(1 094 931)
		<u>(146 944 322)</u>	<u>(142 883 811)</u>
Net cash flows from operating activities	39	<u>20 347 117</u>	<u>61 039 913</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(33 444 024)	(40 350 587)
Proceeds from sale of property, plant and equipment		514 395	-
Purchase of other intangible assets	4	(1 862 397)	-
Net cash flows from investing activities		<u>(34 792 026)</u>	<u>(40 350 587)</u>
Cash flows from financing activities			
Finance lease payments		-	(516 552)
Finance lease receipts		415 599	-
Net cash flows from financing activities		<u>415 599</u>	<u>(516 552)</u>
Net increase/(decrease) in cash and cash equivalents		<u>(14 029 310)</u>	<u>20 172 774</u>
Cash and cash equivalents at the beginning of the year		55 607 102	35 434 325
Cash and cash equivalents at the end of the year	11	<u>41 577 792</u>	<u>55 607 099</u>

* See Note 45 & 44

Molemole Local Municipality

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Financial Statements for the year ended 30 June 2018

Statement of Comparison of Budget and Accrual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Accrual amounts on comparable basis	Difference between final budget and accrual	Reference
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Figures in Rand

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Service charges	11 965 338	326 278	12 291 616	10 064 112	(2 227 504)	38.1
Rental of facilities and equipment	308 637	(53 050)	255 587	340 423	84 836	38.2
Interest received	1 600 754	(270 648)	1 330 106	1 138 975	(191 131)	
Licences and permits	6 354 053	-	6 354 053	2 455 745	(3 898 308)	38.3
Agency Services	2 811 486	(2 758 520)	52 966	2 269 216	2 216 250	38.4
Gain on sale of assets	-	-	-	102 235	102 235	38.5
Gain on Actuarial valuation	-	-	-	1 472 458	1 472 458	38.6
Other income	6 678 083	19 805 003	26 483 086	315 892	(26 167 194)	38.7
Interest - investments	2 488 257	(600 000)	1 888 257	1 575 122	(313 135)	38.8
Total revenue from exchange transactions	32 206 608	16 449 063	48 655 671	19 734 178	(28 921 493)	

Revenue from non-exchange transactions

Taxation revenue

Property rates	12 732 000	993 095	13 725 095	16 184 010	2 458 915	38.9
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Transfer revenue

Government grants & subsidies	164 709 000	9 611 118	174 320 118	167 951 927	(6 368 191)	38.10
Traffic Fines	1 079 173	-	1 079 173	1 008 500	(70 673)	

Total revenue from non-exchange transactions	178 520 173	10 604 213	189 124 386	185 144 437	(3 979 949)	
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Total revenue	210 726 781	27 053 276	237 780 057	204 878 615	(32 901 442)	
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Expenditure

Personnel	(80 387 030)	3 064 112	(77 322 918)	(67 442 050)	9 880 868	38.11
Remuneration of councillors	(13 391 056)	2 859 508	(10 531 548)	(12 031 429)	(1 499 881)	38.12
Depreciation and amortisation	(7 200 000)	(499 972)	(7 699 972)	(7 527 326)	172 646	
Finance costs	-	(1 117 200)	(1 117 200)	(1 188 951)	(71 751)	
Debt Impairment	(5 195 000)	-	(5 195 000)	(3 969 726)	1 225 274	38.13
Collection costs	-	-	-	(32 982)	(32 982)	
Bulk purchases	(9 473 821)	-	(9 473 821)	(9 198 303)	275 518	38.15
Contracted Services	(4 000 000)	(13 485 928)	(17 485 928)	(15 909 210)	1 576 718	38.16
General Expenses	(46 913 157)	2 041 561	(44 871 596)	(46 200 543)	(1 328 947)	38.17
Total expenditure	(166 560 064)	(7 137 919)	(173 697 983)	(163 500 520)	10 197 463	
Surplus/Deficit	44 166 717	19 915 357	64 082 074	41 378 095	(22 703 979)	

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Statement of Comparison of Budget and Accrual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Accrual amounts on comparable basis	Difference between final budget and accrual	Reference
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Inventories	251 325	(12 460)	238 865	160 959	(77 906)	38.18
Receivables from exchange transactions	-	-	-	12 181 543	12 181 543	38.19
Receivables from non-exchange transactions	38 911 023	25 701 124	64 612 147	47 629 368	(16 982 779)	38.21
VAT receivable	-	-	-	11 090 998	11 090 998	38.22
Cash and cash equivalents	31 796 035	7 208 683	39 004 718	41 577 792	2 573 074	38.23
	70 958 383	32 897 347	103 855 730	112 640 660	8 784 930	
Non-Current Assets						
Investment property	1 831 001	(86 668)	1 744 333	1 744 335	2	38.24
Property, plant and equipment	266 056 576	(26 394 456)	239 662 120	212 264 210	(27 397 910)	38.25
Intangible Assets	1 341 491	2 194 440	3 535 931	1 945 251	(1 590 680)	38.26
heritage Assets	368 150	-	368 150	368 150	-	
	269 597 218	(24 286 684)	245 310 534	216 321 946	(28 988 588)	
Total Assets	340 555 601	8 610 663	349 166 264	328 962 606	(20 203 658)	
Liabilities						
Current Liabilities						
Finance lease obligation	-	294 220	294 220	709 819	415 599	38.27
Payables from exchange transactions	37 887 215	(5 683 796)	32 203 419	19 871 146	(12 332 273)	38.28
Consumer deposits	543 083	-	543 083	502 526	(40 557)	38.30
Employee benefit obligation	-	-	-	(1 073)	(1 073)	
Unspent conditional grants and receipts	-	-	-	4 276 606	4 276 606	38.31
Other current liability	-	-	-	1 809 795	1 809 795	38.32
Employee Benefit Obligation	14 713 371	(14 713 371)	-	6 504 569	6 504 569	38.33
	53 143 669	(20 102 947)	33 040 722	33 673 388	632 666	
Non-Current Liabilities						
Employee benefit obligation	-	-	-	6 663 822	6 663 822	38.35
Provisions	12 912 786	7 861 878	20 774 664	14 095 590	(6 679 074)	39.34
	12 912 786	7 861 878	20 774 664	20 759 412	(15 252)	
Total Liabilities	66 056 455	(12 241 069)	53 815 386	54 432 800	617 414	
Net Assets	274 499 146	20 851 732	295 350 878	274 529 806	(20 821 072)	
Reserves						
Revaluation reserve	43 587 408	(1 692 552)	41 894 856	41 894 856	-	38.36
Accumulated surplus	230 911 738	22 371 203	253 282 941	232 634 945	(20 647 996)	

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Statement of Comparison of Budget and Accrual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Accrual amounts on comparable basis	Difference between final budget and accrual	Reference
Figures in Rand						
Total Net Assets	274 499 146	20 678 651	295 177 797	274 529 801	(20 647 996)	

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Statement of Comparison of Budget and Accrual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Accrual amounts on comparable basis	Difference between final budget and accrual	Reference
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Figures in Rand

Cash Flow Statement

Cash flows from operating activities

Receipts

Sale of goods and services	19 036 858	-	19 036 858	14 343 389	(4 693 469)	38.37
Grants	164 709 000	-	164 709 000	150 949 317	(13 759 683)	38.38
Interest income	3 439 997	-	3 439 997	1 575 122	(1 864 875)	38.39
Other receipts	13 000 733	-	13 000 733	-	(13 000 733)	
	200 186 588	-	200 186 588	166 867 828	(33 318 760)	

Payments

Suppliers and employees	(154 165 061)	(23 737 104)	(177 902 165)	(145 755 371)	32 146 794	38.40
Finance costs	-	-	-	(1 188 951)	(1 188 951)	38.41
	(154 165 061)	(23 737 104)	(177 902 165)	(146 944 322)	30 957 843	

Net cash flows from operating activities

46 021 527	(23 737 104)	22 284 423	19 923 506	(2 360 917)	
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Cash flows from investing activities

Purchase of property, plant and equipment	(47 527 108)	-	(47 527 108)	(33 444 024)	14 083 084	38.42
Proceeds from sale of property, plant and equipment	-	-	-	514 395	514 395	
Purchase of intangibles	-	-	-	(1 862 397)	(1 862 397)	

Net cash flows from investing activities

(47 527 108)	-	(47 527 108)	(34 792 026)	12 735 082	
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Net increase/(decrease) in cash and cash equivalents

(1 505 581)	(23 737 104)	(25 242 685)	(14 868 520)	10 374 165	
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Cash and cash equivalents at the beginning of the year

33 301 617	-	33 301 617	55 607 102	22 305 485	
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Cash and cash equivalents at the end of the year

31 796 036	(23 737 104)	8 058 932	40 738 582	32 679 650	
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Molemole Local Municipality

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Financial Statements for the year ended 30 June 2018

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2018											
Financial Performance											
Property rates	12 732 000	986 009	13 718 009	-		13 718 009	16 184 010		2 466 001	118 %	127 %
Service charges	11 983 752	258 693	12 242 445	-		12 242 445	10 064 112		(2 178 333)	82 %	84 %
Investment revenue	2 488 257	(600 000)	1 888 257	-		1 888 257	1 575 122		(313 135)	83 %	63 %
Transfers recognised - operational	127 991 000	2 395 766	130 386 766	-		130 386 766	129 423 229		(963 537)	99 %	101 %
Other own revenue	22 429 029	13 175 113	35 604 142	-		35 604 142	9 414 318		(26 189 824)	26 %	42 %
Total revenue (excluding capital transfers and contributions)	177 624 038	16 215 581	193 839 619	-		193 839 619	166 660 791		(27 178 828)	86 %	94 %
Employee costs	(77 449 194)	743 511	(76 705 683)	-	-	(76 705 683)	(67 442 050)	-	9 263 633	88 %	87 %
Remuneration of councillors	(13 391 056)	1 367 418	(12 023 638)	-	-	(12 023 638)	(12 031 429)	-	(7 791)	100 %	90 %
Debt impairment	(5 195 000)	-	(5 195 000)			(5 195 000)	(3 969 726)	-	1 225 274	76 %	76 %
Depreciation and asset impairment	(7 200 000)	(499 972)	(7 699 972)			(7 699 972)	(7 527 326)	-	172 646	98 %	105 %
Finance charges	(1 117 200)	(11 369)	(1 128 569)	-	-	(1 128 569)	(1 188 951)	-	(60 382)	105 %	106 %
Materials and bulk purchases	(9 473 821)	-	(9 473 821)	-	-	(9 473 821)	(9 198 303)	-	275 518	97 %	97 %
Other expenditure	(53 033 797)	(8 989 167)	(62 022 964)	-	-	(62 022 964)	(62 664 750)	-	(641 786)	101 %	118 %
Total expenditure	(166 860 068)	(7 389 579)	(174 249 647)	-	-	(174 249 647)	(164 022 535)	-	10 227 112	94 %	98 %
Surplus/(Deficit)	10 763 970	8 826 002	19 589 972	-		19 589 972	2 638 256		(16 951 716)	13 %	25 %

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Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	36 718 000	7 215 352	43 933 352	-		43 933 352	38 528 698		(5 404 654)	88 %	105 %
Surplus (Deficit) after capital transfers and contributions	47 481 970	16 041 354	63 523 324	-		63 523 324	41 166 954		(22 356 370)	65 %	87 %
Surplus/(Deficit) for the year	47 481 970	16 041 354	63 523 324	-		63 523 324	41 166 954		(22 356 370)	65 %	87 %
Capital expenditure and funds sources											
Total capital expenditure	47 527 108	16 528 420	64 055 528	-		64 055 528	35 306 421		(28 749 107)	55 %	74 %
Sources of capital funds											
Transfers recognised - capital	37 078 108	7 215 351	44 293 459	-		44 293 459	23 452 126		(20 841 333)	53 %	63 %
Internally generated funds	10 449 000	9 313 069	19 762 069	-		19 762 069	11 854 293		(7 907 776)	60 %	113 %
Total sources of capital funds	47 527 108	16 528 420	64 055 528	-		64 055 528	35 306 419		(28 749 109)	55 %	74 %

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Financial Statements for the year ended 30 June 2018

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	4 602 152	-	4 602 152	-		4 602 152	21 143 022		16 540 870	459 %	459 %
Net cash from (used) investing	(47 527 108)	-	(47 527 108)	-		(47 527 108)	(34 792 026)		12 735 082	73 %	73 %
Net cash from (used) financing	-	-	-	-		-	415 599		415 599	DIV/0 %	DIV/0 %
Net increase/(decrease) in cash and cash equivalents	(42 924 956)	-	(42 924 956)	-		(42 924 956)	(13 233 405)		29 691 551	31 %	31 %
Cash and cash equivalents at the beginning of the year	33 301 617	-	33 301 617	-		33 301 617	55 607 102		22 305 485	167 %	167 %
Cash and cash equivalents at year end	(9 623 339)	-	(9 623 339)	-		(9 623 339)	42 373 697		(51 997 036)	(440)%	(440)%

Molemole Local Municipality

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Accounting Policies

1. Presentation of Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

These accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the relevant policy.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Comparative Information

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.4 Standards, amendments to standards and interpretations issued but not yet effective

The following GRAP standards have been issued but are not yet effective and have not been adopted early by the municipality:

- GRAP 25 Employee Benefits
- GRAP 105 Transfers of Functions Between Entities Under Common Control
- GRAP 106 Transfers of Functions Between Entities Not Under Common Control
- GRAP 107 Mergers

Nature of impending changes in accounting policy:

- None.

Impact on the municipality's financial statements once implemented:

- None.

1.5 Use of Estimates

The preparation of annual financial statements in conformity with Generally Recognised Accounting Practice requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may be undertaken in the future, actual results ultimately may differ from these estimates.

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Accounting Policies

1.6 Transfer of functions between entities under common control

Definitions

An acquirer is the municipality that obtains control of the acquiree or transferor.

Carrying amount of an asset or liability is the amount at which an asset or liability is recognised in the statement of financial position.

Control is the power to govern the financial and operating policies of another municipality so as to benefit from its activities.

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an municipality's objectives, either by providing economic benefits or service potential.

A merger is the establishment of a new combined entity in which none of the former entities obtains control over any other and no acquirer can be identified.

Transfer date is the date on which the acquirer obtains control of the function and the transferor loses control of that function.

A transfer of functions is the reorganisation and/or the re-allocation of functions between entities by transferring functions between entities or into another municipality.

A transferor is the municipality that relinquishes control of a function.

Common control - For a transaction or event to occur between entities under common control, the transaction or event needs to be undertaken between entities within the same sphere of government or between entities that are part of the same economic entity. Entities that are ultimately controlled by the same entity before and after the transfer of functions are within the same economic entity.

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an municipality's objectives, either by providing economic benefits or service potential. A function consists of inputs and processes applied to those inputs that have the ability to create outputs. A function can either be a part or a portion of an entity or can consist of the whole municipality. Although functions may have outputs, outputs are not required to qualify as a function. The three elements of a function are defined as follows:

- Input: Any resource that creates, or has the ability to create, outputs when one or more processes are applied to it.
- Process: Any system, standard, protocol, convention or rule that when applied to an input or inputs, creates or has the ability to create outputs.
- Output: The result of inputs and processes applied to achieve and improve efficiency. This may be in the form of achieving service delivery objectives, or the delivery of goods and/or services.

Identifying the acquirer and transferor

For each transfer of functions between entities under common control an acquirer and transferor are identified. All relevant facts and circumstances are considered in identifying the acquirer and transferor.

The terms and conditions of a transfer of functions undertaken between entities under common control are set out in a binding arrangement. The binding arrangement governing the terms and conditions of a transfer of functions may identify which municipality to the transaction or event is the transferor(s) and which municipality is the acquirer. Where the binding arrangement does not clearly identify the acquirer or the transferor, the behaviour or actions of the entities may indicate which municipality is the acquirer and which municipality is the transferor.

Determining the acquirer includes a consideration of, amongst other things, which of the entities involved in the transfer of functions initiated the transaction or event, the relative size of the entities, as well as whether the assets or revenue of one of the entities involved in the transaction or event significantly exceed those of the other entities. If no acquirer can be identified, the transaction or event is accounted for in terms of the Standard of GRAP on Mergers.

Determining the transfer date

The acquirer and the transferor identify the transfer date, which is the date on which the acquirer obtains control and the transferor loses control of that function.

All relevant facts and circumstances are considered in identifying the transfer date.

Molemole Local Municipality

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Financial Statements for the year ended 30 June 2018

Accounting Policies

Assets acquired [transferred] and liabilities assumed [relinquished]

The recognition of assets and liabilities, is subject to the following conditions:

The assets acquired and the liabilities assumed are part of what had been agreed in terms of the binding arrangement (if applicable), rather than the result of separate transactions.

Determining what is part of the transfer of functions transaction

Where the municipality and the transferor have a pre-existing relationship before or when negotiations for a transfer of functions began, or where a binding arrangement is entered into during the negotiations that are separate from a transfer of functions, any amounts that are not part of what were transferred in a transfer of functions are identified. This policy only applies to the consideration transferred and the assets acquired and liabilities assumed in a transfer of functions as governed by the terms and conditions of the binding arrangement.

The following factors are considered, which are neither mutually exclusive nor individually conclusive, to determine whether a transaction is part of a transfer or function or whether the transaction is separate:

- the reasons for the transaction
- the timing of the transaction

1.7 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition. However, where an investment property was acquired through a non-exchange transaction (i.e. where municipality acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Transfers are made to or from investment property only when there is a change in use.

For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Molemole Local Municipality

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Financial Statements for the year ended 30 June 2018

Accounting Policies

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Depreciation is provided to write down the cost, less estimated residual value over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	30 years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.8 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one reporting period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost or fair value of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or assets, or a combination of assets and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

The following accounting procedures will be followed when the fixed properties are re-valued at an amount that exceeds the current value carried in the Financial Statements:

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Financial Statements for the year ended 30 June 2018

Accounting Policies

- The Accumulated Depreciation at the time of revaluation will be set-off against the gross carrying amount of the fixed property.
- The carrying value on the Balance Sheet will be adjusted to the revalued amount of the fixed property.
- The difference between the original amount and the re-valued amount will be credited against a future depreciation reserve.
- All future depreciation on the fixed property will be set off against this future depreciation reserve.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus included in net assets related to a specific item of property, plant and equipment is transferred directly to accumulated surplus or deficit when the asset is derecognised.

Property, plant and equipment are depreciated on the over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Buildings	
• Municipla Buildings	15 - 30 years
• Land	Indefinite
Infrastructure	
• Roads	5 - 30 years
• Paving On Car Ports	5 - 30 years
• Electricity Network	4 - 45 years
• Single Fase Meters 97/98	2 -20 years
• Water	2 -20 years
• Sewerage	2 - 20 years
• Stormwater	5 - 30 years
Community	
• Community Buildings	15 - 30 years
• Recreational Facilities	20 - 30 years
• Tennis courts	20 - 30 years
• Swimming Pool And Pumps	5 - 10 years
• Security	5 -30 years
• Palisade Fence	3- 10 years
• Guard Room	2 - 30 years
• Parks and gardens	20 -30 years
• Taxi Rank	22 - 30 years
Other property, plant and equipment	
• Gates And Fencing	5 - 10 years
• Air conditioners	5 - 15 years
• Plant and equipment	5 - 30 years
• Security Measures	5 - 30years
• Other vehicles	5 - 15 years
• Specialised Vehicle	10 - 15 years
• Office equipment	5-15 years
• Furniture and fittings	2- 20 years
• Bins and containers	2 -10 years
• Other items of plant and equipment	10 -15 years
• Landfill sites	30 - 45 years
• Computer equipment	3 - 15 years

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Financial Statements for the year ended 30 June 2018

Accounting Policies

Finance Leased Assets

- Office equipment 3 - 7 years

The residual value, the useful life and depreciation method of each asset are reviewed at least at each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use or disposal of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Property, plant and equipment which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from the sale of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.9 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

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Financial Statements for the year ended 30 June 2018

Accounting Policies

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

1.10 Financial instruments

Initial recognition and measurement

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Regular way purchases of financial assets are accounted for at trade date.

Subsequent measurement

Financial instruments at fair value through surplus or deficit are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in surplus or deficit for the period.

Net gains or losses on the financial instruments at fair value through surplus or deficit dividends or similar distributions and interest.

Dividend or similar distributions income is recognised in surplus or deficit as part of other income when the municipality's right to receive payment is established.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Held-to-maturity investments are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Available-for-sale financial assets are subsequently measured at fair value. This excludes equity investments for which a fair value is not determinable, which are measured at cost less accumulated impairment losses.

Gains and losses arising from changes in fair value are recognised in equity until the asset is disposed of or determined to be impaired. Interest on available-for-sale financial assets calculated using the effective interest method is recognised in surplus or deficit as part of other income. Dividends or similar distributions received on available-for-sale equity instruments are recognised in surplus or deficit as part of other income when the municipality's right to receive payment is established.

Changes in fair value of available-for-sale financial assets denominated in a foreign currency are analysed between translation differences resulting from changes in amortised cost and other changes in the carrying amount. Translation differences on monetary items are recognised in surplus or deficit, while translation differences on non-monetary items are recognised in equity.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

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Financial Statements for the year ended 30 June 2018

Accounting Policies

Investments

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

Trade and Other Receivables

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

Trade Payables and Borrowings

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

1.11 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

Molemole Local Municipality

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Financial Statements for the year ended 30 June 2018

Accounting Policies

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the .

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expenses over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in the Statement of Financial Performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

Municipality as Lessor

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

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Accounting Policies

1.12 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Initial Recognition

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Subsequent inventories are measured at the lower of cost and net realisable value.

Inventories comprise current assets held for sale or for consumption during the ordinary course of business and are measured at the lower of cost and current replacement cost where they are held for;

- a) distribution at no charge or for a nominal charge; or
- b) consumption in the production process of goods to be distributed at no charge or for a nominal charge

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Accounting Policies

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

The basis for allocating cost to inventory items is the first in first out (FIFO) method.

1.13 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Post Retirement Medical Obligation

The Municipality provides post-retirement medical benefits by subsidising the medical aid contributions of certain retired staff according to the rules of the medical aid funds.

Council pays 70% of the contribution and the remaining 30% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality. The municipality's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

Provision for Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the relevant employee. Accumulated leave is carried forward and can be used in future periods if the current employee, period's entitlement is not used in full. An employee's accumulated leave cannot exceed 48 days. Any days in excess thereof is forfeited. All unused leave will be paid out to the specific employee at the end of that employee's employment term. Accumulated leave is vesting.

Staff Bonusses Accrued

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Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on the bonus accrued at year end for each employee.

Provision for Performance Bonusses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, contract workers and other senior managers, is recognised as it accrues. The performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends. This bonus is not guaranteed.

1.14 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption. Meters are read on a quarterly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved by Council and are levied monthly.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

1.15 Revenue from non-exchange transactions

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

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Accounting Policies

Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

1.16 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established.

1.17 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

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All expenditure relating to unauthorised expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. The Unauthorised expenditure is disclosed in a note to the Annual Financial Statements.

1.18 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred, unless if it is recoverable (i.e. receivable), it will be raised as an asset in the Statement of Financial Position. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Fruitless and wasteful expenditure will be de-recognised as soon as the nature of the fruitless and wasteful expenditure has been submitted to Council and a formal Council decision has been taken to condone the expenditure. The Fruitless and Wasteful expenditure is disclosed in a note to the Annual Financial Statements.

1.19 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. The Irregular expenditure is disclosed in a note to the Annual Financial Statements.

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Accounting Policies

1.20 Provisions

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

(a) The municipality has a detailed formal plan for the restructuring identifying at least:

- the business or part of a business concerned;
- the principal locations affected;
- the location, function, and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and when the plan will be implemented; and

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

1.21 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2010-04-01 to 2011-03-31.

The budget for the economic entity includes all the entities approved budgets under its control.

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.22 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the municipality sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

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Accounting Policies

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.23 Retirement Benefits

The municipality provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued triennially on the projected unit credit method basis. Deficits identified are recognised as a liability and are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities.

1.24 Impairment of Assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing their carrying amount with their recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

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Notes to the Financial Statements

Figures in Rand

2. Investment property

Investment property

Total

2018			2017		
Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
2 091 000	(346 665)	1 744 335	2 091 000	(303 332)	1 787 668
2 091 000	(346 665)	1 744 335	2 091 000	(303 332)	1 787 668

Reconciliation of investment property - 2018

Investment property

Opening balance	Depreciation	Total
1 787 668	(43 333)	1 744 335
1 787 668	(43 333)	1 744 335

Reconciliation of investment property - 2017

Investment property

Opening balance	Depreciation	Total
1 831 001	(43 333)	1 787 668
1 831 001	(43 333)	1 787 668

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Figures in Rand

3. Property, plant and equipment

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	22 256 319	-	22 256 319	22 256 319	-	22 256 319
Buildings	29 410 678	(4 673 009)	24 737 669	29 036 528	(3 363 780)	25 672 748
Infrastructure	50 708 049	(13 898 768)	36 809 281	47 934 498	(11 247 947)	36 686 551
Community	31 338 469	(4 314 055)	27 024 414	30 114 898	(3 801 086)	26 313 812
Other property, plant and equipment	50 382 253	(15 974 090)	34 408 163	45 347 683	(15 679 218)	29 668 465
Work in Progress	67 028 364	-	67 028 364	45 798 869	-	45 798 869
Total	251 124 132	(38 859 922)	212 264 210	220 488 795	(34 092 031)	186 396 764

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Additions through transfer of functions / mergers	Disposals	Transfers received	Transfers from WIP	Depreciation	Total
Land	22 256 319	-	-	-	-	-	-	22 256 319
Buildings	25 672 747	374 151	-	-	-	-	(1 309 229)	24 737 669
Infrastructure	36 686 476	492 510	-	(33 561)	2 344 422	-	(2 680 566)	36 809 281
Community	26 313 501	410 083	-	-	813 800	-	(512 970)	27 024 414
Other property, plant and equipment	29 668 785	5 432 869	-	(378 599)	2 346 694	-	(2 661 586)	34 408 163
Work in progress	45 798 869	-	26 734 411	-	-	(5 504 916)	-	67 028 364
	186 396 697	6 709 613	26 734 411	(412 160)	5 504 916	(5 504 916)	(7 164 351)	212 264 210

Reconciliation of property, plant and equipment - 2017

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3. Property, plant and equipment (continued)

	Opening balance	Additions	Additions work in progress	Disposals	Transfers received	Depreciation	Total
Land	22 256 319	-	-	-	-	-	22 256 319
Buildings	22 471 528	1 925 123	-	-	2 271 660	(995 564)	25 672 747
Infrastructure	37 098 145	419 270	-	-	929 007	(1 759 872)	36 686 550
Community	27 381 213	-	-	(5 752)	-	(1 061 649)	26 313 812
Other property, plant and equipment	23 167 967	5 986 826	-	(27 653)	4 695 039	(4 153 402)	29 668 777
Work in progress	14 708 507	-	32 019 368	-	(929 007)	-	45 798 868
	147 083 372	8 331 220	32 019 367	(33 404)	6 966 699	(7 970 487)	186 396 764

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

4. Intangible Assets

	2018			2017		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	3 650 708	(1 705 457)	1 945 251	1 788 311	(1 385 817)	402 494
Total	3 650 708	(1 705 457)	1 945 251	1 788 311	(1 385 817)	402 494

Reconciliation of intangible assets - 2018

	Opening balance	Additions	Amortisation	Total
Computer software, other	402 494	1 862 397	(319 638)	1 945 251
	402 494	1 862 397	(319 638)	1 945 251

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Notes to the Financial Statements

Figures in Rand

2018

2017

4. Intangible Assets (continued)

Reconciliation of intangible assets - 2017

	Opening balance	Amortisation	Total
Computer software, other	917 987	(515 493)	402 494
	917 987	(515 493)	402 494

5. heritage Assets

	2018			2017		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Mayoral Chain	368 150	-	368 150	368 150	-	368 150
Total	368 150	-	368 150	368 150	-	368 150

Reconciliation of heritage assets 2018

	Opening balance	Total
Mayoral Chain	368 150	368 150
	368 150	368 150

Reconciliation of heritage assets 2017

	Opening balance	Total
Mayoral Chain	368 150	368 150
	368 150	368 150

6. Employee benefit obligations

Post-employment Health Care Benefits

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

- Bonitas;
- Discovery;
- LA Health;
- Hosmed;
- Samwumed; and
- Keyhealth.

The Municipality's Accrued Unfunded Liability at 30 June 2018 is estimated at R 6 663 822. The Current-service Cost for the year ending 30 June 2018 is estimated at R 600 475. It is estimated to be R 622 662 for the ensuing year.

Key actuarial assumptions used:

Rate of Interest

Discount Rate	9.81%	9.98%
Health Care Cost	7.53%	8.24%
Net Effective Discount Rate	2.12%	1.60%

The amount recognised in the Statement of Financial Position are as follows:

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Notes to the Financial Statements

Figures in Rand	2018	2017
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6. Employee benefit obligations (continued)

Present Value of fund obligations

Closing Balance	6 663 822	7 056 620
	6 663 822	7 056 620
Present Value at Fund obligation at the beginning of the year	7 056 620	7 112 585
Total Expenses	1 253 121	1 205 575
Current Service Cost	600 475	572 315
Interest Cost	700 035	687 787
Benefits Paid	(47 389)	(54 527)
Actuarial (gains) / losses	(1 645 919)	(1 261 540)
Present value of fund obligation at the end of the year	6 663 822	7 056 620
Less : transfer of current portion	(48 462)	(80 316)
Balance 30 June	6 615 360	6 976 304

7. Inventories

Consumable stores	160 959	136 520
	160 959	136 520

8. Receivables from exchange transactions

Rental debtors	99 542	-
Other debtors - Under banking	4 955	130
Other debtors - Bursaries	36 840	36 840
Other debtors - Insurance	1 736	-
Other debtors - National Treasury	1 117 245	1 119 645
Other debtors - Itron Debtor	41 740	24 371
Consumer debtors - Electricity	4 439 937	3 766 071
Consumer debtors - Refuse	4 724 222	4 417 130
Consumer debtors - Other Service Charges	291 447	289 516
Other debtors - CDM	1 423 879	833 301
	12 181 543	10 487 004

Electricity reconcilliation

Electricity	-	-	6 721 078	6 715 633
Less: Impairment	-	-	(2 281 141)	(2 949 562)
	-	-	4 439 937	3 766 071

Electricity Ageing

Current (0 - 30 days)	657 766	510 717
31 - 60 days	277 663	199 079
61 - 90 days	217 311	146 496
+90 days	5 568 338	5 859 341
	6 721 078	6 715 633

Refuse reconcilliation

Refuse	7 151 365	7 876 599
Less: Impairment	(2 427 143)	(3 459 469)

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Notes to the Financial Statements

Figures in Rand	2018	2017
8. Receivables from exchange transactions (continued)	4 724 222	4 417 130
Refuse Ageing		
Current (0 - 30 days)	344 139	341 790
31 - 60 days	164 166	165 907
61 - 90 days	160 966	164 483
+90 days	6 482 095	7 204 420
	7 151 366	7 876 600
Other Service Charges reconcillation		
Other Service Charges	447 381	516 262
Less: Impairment	(155 934)	(226 746)
	291 447	289 516
Other Service Charges Ageing		
Current (0 - 30 days)	8 670	9 548
31 - 60 days	4 279	4 585
61 - 90 days	4 224	4 559
+90 days	430 208	497 571
	447 381	516 263
CDM Water Debtor Reconcillation		
CDM Water Debtor	3 052 594	13 330 541
Less: Impairment	(1 628 715)	(12 497 240)
	1 423 879	833 301
CDM Debtors Ageing		
Current (0 - 30 days)	502 753	513 882
31 - 60 days	169 795	242 355
61 - 90 days	156 129	234 452
+90 days	2 223 917	12 339 852
	3 052 594	13 330 541
12333331122		
9. Receivables from non-exchange transactions		
Fines	1 705 292	1 374 081
Consumer debtors - Rates	45 924 073	32 486 068
	47 629 365	33 860 149
Property Rates Receivables		
Taxes - Rates	69 523 515	57 928 944
Less: Allowance for Doubtful Debts	(23 599 442)	(25 442 876)
	45 924 073	32 486 068
Ageing of Receivables from Non-Exchange Transactions		

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Financial Statements for the year ended 30 June 2018

Notes to the Financial Statements

Figures in Rand	2018	2017
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9. Receivables from non-exchange transactions (continued)

Rates: Ageing

Current (0 - 30 days)	17 917 343	2 065 212
31 - 60 days	1 072 848	1 291 236
61 - 90 days	1 058 676	2 528 890
+90 days	49 474 637	52 043 606
	69 523 504	57 928 944

Debts are required to be settled after 30 days, interest is charged after this date at 10%. The fair value of trade and other receivables approximates their carrying amounts.

Traffic Fines Debtor Reconciliation

Traffic Fines Debtor	3 882 223	3 257 082
Less: Impairment	(3 330 250)	(1 883 000)
	551 973	1 374 082

10. VAT receivable

Vat Receivable	11 090 998	8 935 143
	11 090 998	8 935 143

11. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	(3 022)	557
Bank balances	30 001 900	33 602 753
Short-term deposits	11 578 914	22 003 792
	41 577 792	55 607 102

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2018	30 June 2017	30 June 2016	30 June 2018	30 June 2017	30 June 2016
Nedbank - Primary Account 146 700 0442	19 981 855	14 942 119	10 850 656	19 577 618	14 044 109	6 113 245
Nedbank Grants Account 1013994825	10 424 363	19 558 724	3 151 885	10 424 273	19 558 644	3 151 885
Nedbank Call Investment Deposit	11 578 914	22 003 792	26 159 848	11 578 914	22 003 792	26 159 848
Total	41 985 132	56 504 635	40 162 389	41 580 805	55 606 545	35 424 978

12. Revaluation reserve

Opening balance	41 894 856	41 894 856
	41 894 856	41 894 856

13. Finance lease obligation

Minimum lease payments due

- within one year	377 346	444 548
- in second to fifth year inclusive	660 355	-
	1 037 701	444 548

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Notes to the Financial Statements

Figures in Rand	2018	2017
13. Finance lease obligation (continued)		
less: future finance charges	(327 873)	(150 319)
Present value of minimum lease payments	709 828	294 229
Present value of minimum lease payments due		
- within one year	196 522	294 229
- in second to fifth year inclusive	513 306	-
	709 828	294 229
Non-current liabilities	513 306	-
Current liabilities	196 522	294 229
	709 828	294 229

The capitalised lease liability consist out of the following contracts:

Supplier	Description of leased item	Effective Interest Rate	Lease Term	Maturity Date
XLP Document Solution	Photocopy machine	28,95%	3 Year	31-03-2021
XLP Document Solution	Photocopy machine	28,95%	3 Year	31-03-2021

14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant	2 787 793	15 498 245
Finance management grant	78 040	272 482
Municipal Demarcation grant	1 191 034	4 195 367
CDM Operational and Maintenance (Water)	-	828 405
CDM - Mogwadi Community Hall	32 435	32 435
CDM - Community Waste collection	43 490	37 190
CDM - Audit Committee Facilities	35 200	35 200
CDM - Integrated Transport Plan	108 614	108 614
	4 276 606	21 007 938

The Unspent grants are cash-backed by term deposits. The municipality complied with the conditions attach to all grants received to the extend of revenue recognised.

15. Provisions

Reconciliation of provisions - 2018

	Opening Balance	Additions	Utilised during the year	Reversed to current portion	Total
Long service awards	2 548 616	726 460	(370 436)	32 121	2 936 761
Environmental rehabilitation	10 322 961	835 869	-	-	11 158 829
	12 871 577	1 562 329	(370 436)	32 121	14 095 590

Reconciliation of provisions - 2017

	Opening Balance	Additions	Utilised during the year	Transfer to Current portion	Total
Long service awards	2 466 501	541 248	(129 071)	(330 061)	2 548 617

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Financial Statements for the year ended 30 June 2018

Notes to the Financial Statements

Figures in Rand	2018	2017
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15. Provisions (continued)

Rehabilitation of Landfill Site	9 831 391	491 570	-	-	10 322 961
	12 297 892	1 032 818	(129 071)	(330 061)	12 871 578

Rehabilitation of Land-fill Sites

In terms of the licencing of the landfill refuse sites, the municipality will incur licensing and rehabilitation costs of

R 11 158 829 : 2018 (2017: R 10 322 960) to restore the site at the end of its useful life, estimated to be in the 2025 (soekmekaar landfill site) and 2032 (Dendron Landfill site) financial year. Provision has been made for the best estimate of costs at the reporting date with reference to the inflation rate.

Long Service Bonus

The Long Service Bonus plans are defined benefit plans. As at year end, 151 employees were eligible for Long Service Bonuses.

The Employer's Unfunded Accrued Liability at 30 June 2018 is estimated at R 3 301 109. The Current-service Cost for the year ending 30 June 2018 is estimated at R 319 783. It is estimated to be R 346 236 for the ensuing year.

Key actuarial assumptions used:

Rate of interest

Discount Rate	8.59%	8.48%
General Salary Inflation (long Term)	6.19%	6.30%
Nett Effective Discount Rate Applied to Long Service Bonusses	2.26%	2.05%

The amounts recognised in the Statement of Financial Position are as follows:

Present Value of fund obligation

Balance	3 301 109	2 945 085
Net liability / (asset)	3 301 109	2 945 085

Reconciliation of present value of fund obligation:

Reconciliation fo present Value of fund obligation

Present value of fund obligation at teh beginning of the year	2 945 085	2 607 208
Total expenses	182 563	412 177
Current service cost	319 783	320 898
Interest Cost	233 216	220 350
Benefits paid	(370 436)	(129 071)
Actuarial Losses / (Gain)	173 461	(74 300)
Present Value of Fund obligation	3 301 109	2 945 085
Less : Transfer of current portion	(364 347)	(396 468)
Balance 30 June	2 936 762	2 548 617

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Financial Statements for the year ended 30 June 2018

Notes to the Financial Statements

Figures in Rand	2018	2017
16. Other current liability		
Unallocated receipts	1 840 851	804 079
Salary suspense account	3 860	(63)
Payments received in advance	(34 930)	21 067
Receipt reversal	14	14
	1 809 795	825 097

17. Current Employee benefits

Current Portion of Post Retirement Health Care benefits	47 389	80 316
Current Portion of Long Service Provisions	364 347	396 468
Staff Leave	6 091 760	5 702 960
Total Current Employee Benefits	6 503 496	6 179 744

The movement in current employee benefits are reconciled as follows:

Provision for Staff Leave		
Balance at the beginning of the year	5 702 960	6 232 875
Contribution to current portion	930 709	567 647
Expenditure during the year	(541 909)	(927 683)
Balance at end of year	6 091 760	5 872 839

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave.

18. Payables from exchange transactions

Trade payables	8 513 672	6 931 225
Payments received in advanced - contract in process	1 939 508	747 663
Retention	7 304 688	6 417 278
Electricity not used	200 885	185 858
National Treasury Creditor	469 383	469 383
Bonus	1 443 011	1 210 405
	19 871 147	15 961 812

19. Consumer deposits

Electricity	502 526	501 449
	502 526	501 449

20. Revenue

Service charges	10 064 112	8 959 702
Rental of facilities and equipment	340 423	268 872
Interest received - debtors	1 138 975	1 574 496
Licences and permits	2 455 745	3 471 446
Commissions received	2 269 216	2 368 846
Actuarial Gain	1 472 458	1 335 841
Gain on disposal of assets	102 235	-
Other income	315 892	12 537 472
Dividends received	1 575 122	2 422 613
Property rates	16 184 010	13 663 498
Government grants & subsidies	167 951 927	152 920 507
Public contributions and donations	-	17 577 096
Fines, Penalties and Forfeits	1 008 500	1 208 600

Molemole Local Municipality

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Financial Statements for the year ended 30 June 2018

Notes to the Financial Statements

Figures in Rand

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2017

20. Revenue (continued)

204 878 615 218 308 989

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	10 064 112	8 959 702
Rental of facilities and equipment	340 423	268 872
Interest received - debtors	1 138 975	1 574 496
Licences and permits	2 455 745	3 471 446
Commissions received	2 269 216	2 368 846
Actuarial gain	1 472 458	1 335 841
Gain on the sale of assets	102 235	-
Other income	315 892	582 421
Interest received	1 575 122	2 422 613
	19 734 178	20 984 237

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue

Property rates	16 184 010	13 663 498
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Transfer revenue

Government grants & subsidies	167 951 927	152 920 507
Public contributions and donations	-	17 577 096
Traffic Fines	1 008 500	1 208 600

185 144 437 185 369 701

21. Service charges

Sale of electricity	8 300 884	7 129 408
Refuse removal	1 763 228	1 830 294
	10 064 112	8 959 702

22. Rental of facilities and equipment

Premises

Cattle Grazing	32 556	47 222
Community Assets	307 867	221 650
	340 423	268 872

23. Fines, Penalties and Forfeits

Traffic Fines	1 008 500	1 208 600
	1 008 500	1 208 600

24. Licences and permits (exchange)

Road and Transport	2 455 745	3 471 446
	2 455 745	3 471 446

25. Other income

Building Plan Approvals	5 643	23 960
Clearance certificates	5 906	6 461
Sundry	10 892	10 000

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Financial Statements for the year ended 30 June 2018

Notes to the Financial Statements

Figures in Rand	2018	2017
25. Other income (continued)		
Legal fees recouped	-	236 976
Skills development refund	112 536	116 981
Sale of Tender documents	76 686	100 264
Sundry income	33 661	11 273
Grave Fees	8 123	8 205
Library Membership fees	4 202	1 457
Town Planning Fees	27 403	3 434
Sale of Prepaid meters	-	13 516
Reconnections	-	283
Penalties	596	1 194
New Connections	30 244	42 804
Electricity Fines	-	5 613
	315 892	582 421
26. Interest received - external investment		
Interest revenue		
Interest received - External investments	1 575 122	2 422 613
	1 575 122	2 422 613
27. Property rates		
Rates received		
Residential	1 874 022	839 359
Commercial	1 293 746	861 880
State	11 806 202	9 667 747
Municipal	10 541	-
Small holdings and farms	1 194 186	2 281 933
Public service infrastructure	5 313	12 579
	16 184 010	13 663 498
Valuations		
Residential	398 065 000	339 584 900
Commercial	93 498 000	77 767 900
State	453 684 000	304 726 100
Municipal	67 691 000	820 000
Small holdings and farms	1 802 556 000	1 716 551 200
Public service infrastructure	4 133 000	8 129 000
	2 819 627 000	2 447 579 100
Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2017. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.		
28. Government grants and subsidies		
Operating grants		
Equitable share	122 615 544	117 668 462
Municipal Infrastructure Grant	801 457	1 132 086
FMG - Finance Management Grant	1 394 603	1 897 518
Community Waste collection	303 700	332 945
Audit Committee Facilities	-	113 088
Integrated Transport Plan	-	391 386

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Financial Statements for the year ended 30 June 2018

Notes to the Financial Statements

Figures in Rand	2018	2017
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28. Government grants and subsidies (continued)

Expanded Public Works Program	1 000 000	1 380 721
Municipal Demarcation grant	2 721 955	2 232 195
	128 837 259	125 148 401

Capital grants

MIG - Municipal infrastructure grant	36 727 241	26 011 669
Finance Management Grant	860 357	63 000
Municipal demarcation grant	1 527 071	1 697 437
	39 114 669	27 772 106
	167 951 928	152 920 507

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	45 336 384	35 252 045
Unconditional grants received	122 615 544	117 668 462
	167 951 928	152 920 507

Equitable Share

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

Municipal Infrastructure Grant

Balance unspent at beginning of year	15 498 245	91 281
Current-year receipts	25 718 000	42 642 000
Conditions met - transferred to revenue	(801 457)	(1 132 086)
Conditions met - transferred to capital	(36 727 241)	(26 011 669)
Adjustments/Returned to National revenue fund	(899 754)	(91 281)
	2 787 793	15 498 245

Conditions still to be met - remain liabilities (see note 14).

Provide explanations of conditions still to be met and other relevant information.

Finance Management Grant

Balance unspent at beginning of year	272 482	110 925
Current-year receipts	2 333 000	2 233 000
Conditions met - transferred to revenue	(1 394 603)	(1 897 518)
Conditions met - transferred to capital	(860 357)	(63 000)
Adjustments/Returned to National revenue fund	(272 482)	(110 925)
	78 040	272 482

Conditions still to be met - remain liabilities (see note 14).

Finance management grant received with conditions to be met. The money returned to the national revenue fund is because the municipality did not appoint the intern timiously.

CDM - Mogwadi Community Hall

Molemole Local Municipality

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Financial Statements for the year ended 30 June 2018

Notes to the Financial Statements

Figures in Rand	2018	2017
28. Government grants and subsidies (continued)		
Balance unspent at beginning of year	32 435	32 435
	32 435	32 435
Conditions still to be met - remain liabilities (see note 14).		
CDM - Mogwadi Community Hall grant received with conditions to be met.		
Community Waste collection		
Balance unspent at beginning of year	37 190	20 135
Current-year receipts	310 000	350 000
Conditions met - transferred to revenue	(303 700)	(332 945)
	43 490	37 190
Conditions still to be met - remain liabilities (see note 14).		
Community waste collection grant received with conditions to be met.		
Audit Committee Facilities		
Balance unspent at beginning of year	35 200	148 288
Conditions met - transferred to revenue	-	(113 088)
	35 200	35 200
Conditions still to be met - remain liabilities (see note 14).		
Audit committee facilities grant received with conditions to be met.		
Integrated Transport Plan		
Balance unspent at beginning of year	108 614	500 000
Conditions met - transferred to revenue	-	(391 386)
	108 614	108 614
Conditions still to be met - remain liabilities (see note 14).		
Integrated transport plan grant received with conditions to be met.		
Expanded Public Works Program		
Balance unspent at beginning of year	-	6 256
Current-year receipts	998 721	1 382 000
Conditions met - transferred to revenue	(1 000 000)	(1 380 721)
Other adjustments	-	(1 279)
Adjustments/Returned to National revenue fund	-	(6 256)
	-	-
Conditions still to be met - remain liabilities (see note 14).		
Expanded public works program grant received with conditions to be met.		
CDM Operational and Maintenance (Water)		
Balance unspent at beginning of year	-	1 098 405

Molemole Local Municipality

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Notes to the Financial Statements

Figures in Rand	2018	2017
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28. Government grants and subsidies (continued)

- 1 098 405

Conditions still to be met - remain liabilities (see note 14).

CDM Operational and Maintenance (Water) grant received with conditions to be met.

Municipal Demarcation grant

Balance unspent at beginning of year	4 195 368	-
Current-year receipts	3 044 061	8 125 000
Conditions met - transferred to revenue	(2 721 956)	(2 232 196)
Conditions met - transferred to capital	(1 527 071)	(1 697 437)
Adjustments/Returned to National revenue fund	(1 799 368)	-
	1 191 034	4 195 367

Conditions still to be met - remain liabilities (see note 14).

Grant received in respect of the demarcation of Aganang Municipality. The money returned to the National Revenue fund was because there were no committed projects for the grant at 30 June 2017.

29. Employee related costs

Basic	41 450 918	40 497 157
PMU - MIG Salaries	705 577	1 077 578
Bonus	4 055 601	3 827 714
Medical aid - company contributions	3 175 509	2 916 715
UIF	281 119	277 211
Interns Salaries: FMG	313 987	387 277
Leave pay provision charge	930 705	397 770
Danger Allowance	-	109 000
Defined contribution plans	584 926	-
Travel, motor car, accommodation, subsistence and other allowances	4 547 233	3 631 095
Overtime payments	566 313	1 237 075
Long-service awards	335 333	893 213
Acting allowances	1 084 464	135 286
Housing benefits and allowances	145 045	118 720
Standby allowance	163 677	164 125
Laptop Allowance	227 570	384 923
Pension Funds - Company contribution	7 992 966	7 293 005
Clothing Allowance	-	6 000
Telephone/Cellphone Allowance	865 934	893 288
Industrial/Bargaining Council	15 173	14 347
	67 442 050	64 261 499

Remuneration of municipal manager

Annual Remuneration	246 326	878 902
Motor car , Housing and other allowances	101 109	191 516
Acting M M : Ramogale	257 256	-
	604 691	1 070 418

The Municipal Manager is appointed on a 4years fixed contract.

Remuneration of Chief Finance Officer

Annual Remuneration	241 655	982 211
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Financial Statements for the year ended 30 June 2018

Notes to the Financial Statements

Figures in Rand	2018	2017
29. Employee related costs (continued)		
Motor car , Housing and other allowances	29 947	284 407
Acting CFO : Lethuba	128 735	-
Acting CFO : Nkalanga	116 176	-
	516 513	1 266 618
Remuneration of Manager - Technical Services		
Annual Remuneration	152 557	803 751
Motor car , Housing and other allowances	88 981	307 115
Acting: Ntjana	227 293	-
	468 831	1 110 866
Remuneration of Manager Corporate Services		
Annual Remuneration	207 320	878 824
Motor car , Housing and other allowances	71 156	265 914
Acting : Modisha	180 985	-
Acting : Mahlake	27 268	-
	486 729	1 144 738
Remuneration of Manager - Community Services		
Annual Remuneration	-	492 229
Motor car , Housing and other allowances	-	149 222
Acting : Mokumo	135 162	-
Acting : Seanego	10 526	-
	145 688	641 451
Remuneration of Manager - Local Economic Development		
Annual Remuneration	1 141 397	965 609
Motor car , Housing and other allowances	194 122	169 266
	1 335 519	1 134 875
30. Remuneration of councillors		
Executive Mayor	851 877	779 276
Chief Whip	652 900	587 758
Mayoral Committee Members	3 041 686	2 619 323
Speaker	692 694	639 481
Councillors	6 792 272	5 942 595
	12 031 429	10 568 433
31. Depreciation and amortisation		
Property, plant and equipment	7 164 355	7 970 488
Investment property	43 333	43 333
Intangible assets	319 638	515 493
	7 527 326	8 529 314
32. Finance costs		
Other interest paid	56 141	14 684

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Financial Statements for the year ended 30 June 2018

Notes to the Financial Statements

Figures in Rand	2018	2017
32. Finance costs (continued)		
Interest on post retirement benefits	933 251	908 137
Finance leases	199 559	172 110
	1 188 951	1 094 931
33. Debt impairment		
Debt impairment - Traffic Fines	331 210	522 716
Debt impairment - provision	2 485 197	5 430 871
Debt impairment - provision - CDM	1 153 319	2 071 129
	3 969 726	8 024 716
34. General expenses		
Conferences , Seminars , Workshops and Events	4 444 988	4 050 478
Advertising	275 902	496 558
Advertising : Recruitment	203 884	116 516
Auditors remuneration	2 466 080	1 925 948
Bank charges	473 729	303 840
Bill: Municipal Electricity	15 455	386 151
Commission paid	734 668	497 016
Bill: Municipal Water	32 982	82 962
COIDA	539 371	500 000
Cleaning materials	381 280	378 288
Entertainment	12 553	6 251
Plant Hire	21 000	22 509
Insurance - General	1 081 228	905 315
Audit Committees Expenses	374 635	331 870
Bursaries - Employees	142 450	66 940
Departmental: Water	-	25 788
IT Expenses	15 217	-
Environmental & Waste Management	1 471 441	1 070 505
Free Basic Electricity	3 091 884	3 739 011
Free Basic Water	-	113 513
Fuel and Oil: Municipal Fleet	2 070 486	1 726 511
Postage and Telephone	596 114	406 214
Printing, Publication & Marketing	542 025	548 751
Protective clothing	395 836	3 000
Repairs and maintenance	6 187 644	5 111 003
Licences - Vehicles	113 510	91 903
Internship programme	474 628	283 178
Membership Fees	3 250	3 250
Township establishment	-	85 100
Mayoral Bursary	-	391 531
Title deed search fees	3 065	-
Affiliation & Membership Fees : SALGA	803 149	822 925
Telephone Management System	317 867	430 224
Skills development Levy	634 182	600 721
Training SMME	177 022	157 004
Training and Conferences - Capacity Building	1 781 069	530 168
Subscriptions and Systems Licencing	888 185	547 279
Public Participation	1 311 504	1 395 820
RAL Roads expenditure	10 333 552	15 043 549
Municipal: Internal Billing	349 581	2 014
Rehabilitation cost	835 869	491 570
Rental Office Machines : Usage	21 504	98 643
Tracking device system	72 146	94 245
Stationery	839 806	874 457

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Notes to the Financial Statements

Figures in Rand	2018	2017
Other expenses - deductible	6 925	613 702
Ward Committee Expenses	1 907 000	2 919 665
	46 444 666	48 291 886

35. Bulk purchases

Electricity	9 198 303	7 502 657
	9 198 303	7 502 657

36. Contracted services

Outsourced Services	9 558 453	9 153 421
Consultants and Professional Services	3 960 435	3 426 856
Contractors	2 390 322	1 383 017
	15 909 210	13 963 294

37. Related Parties

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents

Compensation to accounting officer and other key management

Remuneration	-	-	15 564 604	17 049 233
	-	-	15 564 604	17 049 233

Key management information

Remuneration of Municipal Manager

Annual Remuneration	246 326	878 902
Motor car, Housing , and other allowances	101 109	191 516
Acting : Ramogale	257 256	-
	-	-
	604 691	1 070 418

Remuneration of Chief Financial Officer

Annual Remuneration	241 655	982 211
Motor car, Housing , and other allowances	29 947	284 407
B Letuba (Acting CFO)	128 735	-
A. S Nalanga(Acting CFO)	116 176	18 777
N .J Mabote (Acting CFO)	-	21 129
	516 513	1 306 524

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Notes to the Financial Statements

Figures in Rand

2018

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37. Related Parties (continued)

2017

Remuneration of individual Executive Directors

	Local Economic Development (July to November)	Local Economic Development (February to June)	Technical Services (July to May)	Corporate Services (July to May)	Community Services (July to November)
Annual remuneration	370 802	425 298	677 615	727 629	342 279
Acting Allowance	-	-	-	35 055	-
Performance and other bonuses	4 516	-	4 516	70 664	72 972
Motor car, Housing , and other allowances	76 250	88 500	302 599	195 250	76 250
Leave Payout	169 509	-	126 136	151 196	149 951
	621 077	513 798	1 110 866	1 179 794	641 452

2018

	Local Economic Development	Technical Services	Corporate Services	Community Services
Annual Remuneration	722 688	152 557	207 320	-
Acting Allowance: LED Manager	257 256	-	-	-
Performance and other bonuses	6 623	-	-	-
Motor car, Housing , and other allowances	348 952	64 185	71 156	-
Acting Allowance: Technical Services	-	227 293	-	-
Acting Allowance : Corporate Services	-	-	208 253	-
Acting Allowance : Community Service	-	-	-	145 688
	1 335 519	444 035	486 729	145 688

Molemole Local Municipality

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Financial Statements for the year ended 30 June 2018

Notes to the Financial Statements

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37. Related Parties (continued)

2017

Remuneration of Councillors

Mayor (MP Makgato Jul 2016 - August 2016) remuneration , pension , cellphone allowance and housing allowance	100 451
Mayor (ME PAYA August 2016- july 2017) remuneration , pension , cellphone allowance and housing allowance	736 076
Speaker (M S Moreroa August 2016- July 2017) remuneration , pension , cellphone allowance and housing allowance	567 719
Speaker (L Moabelo Jul 2016- August 2016) remuneration , pension , cellphone allowance and housing allowance	84 125
Chief Whip(Rathaha August 2016- July 2017) remuneration , pension , cellphone allowance and housing allowance	534 710
Chief Whip(P Rakubu July2016 - August 2016)remuneration , pension , cellphone allowance and housing allowance	65 413
Councillors allowance and remuneration	8 516 810

10 605 304

Related party per Councillor

Related party per Councillor	Basic Salary	Allowances	Total 2017
M EPaya	524 174	211 902	736 076
MP Makgato	220 164	101 142	321 306
M S Moreroa	399 808	167 911	567 719
E M Rathaha	375 051	159 659	534 710
P T Rathete	201 221	90 682	291 903
M A Kobo	208 908	93 244	302 152
N F Rampyapedi	367 872	146 232	514 104
L Moabelo	207 938	97 042	304 980
P Rakubu	45 848	19 565	65 413
Rathete	-	-	-
D Lehong	392 464	157 221	549 685
D Matlou	184 370	87 857	272 227
R Moseamo	25 336	11 398	36 734
A Phihlela	25 336	11 398	36 734
M Mapara	19 163	9 341	28 504
S Senwamadi	19 163	9 341	28 504
N G Makgalo	178 215	85 805	264 020
M Tawana	228 071	102 424	330 495
C Matjee	178 215	85 805	264 020
P Mehale	19 163	9 341	28 504
J Hlapa	19 163	9 341	28 504
M P Nkoana	19 163	9 341	28 504
A Moyo	19 163	9 341	28 504
M Maila	19 163	9 341	28 504
N E Ramalepe	19 163	9 341	28 504
A Mahlophe	19 163	9 341	28 504
E Rahlana	19 163	9 341	28 504
A Makgoka	178 215	85 805	264 020
M Masekela	19 163	9 341	28 504
M Malema	177 644	85 454	263 098
M E Mphelo	19 163	9 341	28 504
N W Seakamela	387 035	155 412	542 447
M Duba	178 215	85 805	264 020
M Duba	-	-	-
P T Rakimane	159 034	76 619	235 653
M I Mohafe	159 034	79 217	238 251
R L Mpati	159 034	76 619	235 653
M J Manthata	159 034	76 619	235 653
P S Masoga	159 034	76 619	235 653

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Notes to the Financial Statements

Figures in Rand	2018	2017
37. Related Parties (continued)		
M J Leferela	159 034	76 619
N S Ramukhubedi	159 034	76 619
S E Kobola	159 034	76 619
T Raphaswana	159 034	76 619
M D Meso	159 034	76 619
G M Sepheso	159 034	76 619
M D Marutha	159 034	76 619
M P Tloubatlatla	159 034	76 619
S R Nakana	159 034	76 619
N MHopane	159 034	76 619
	7 299 566	3 305 738
		10 605 304

2018

Remuneration of Councillors

Mayo (MM P Paya) remuneration , pension , cellphone allowance and housing allowance	851 877
Speaker(M S Moreroa) remuneration , pension , cellphone allowance and housing allowance	692 694
Chief Whip (E M Rathaha) remuneration , pension , cellphone allowance and housing allowance	652 900
Councillors allowance and remuneration	9 833 958
	12 031 429

Related party per Councillor

	Basic Salary	Allowances	Total 2016
M.P Paya (Mayor)	596 935	254 942	851 877
E M Rathaha(Chief Whip)	477 702	205 198	652 900
M S Moreroa(Speaker)	477 548	215 146	692 694
D Lehong	447 702	192 834	640 536
D Matlou	188 908	106 569	295 477
L Moabelo	188 908	106 569	295 477
P T Rathete	242 432	124 411	366 843
MP Makgato	188 908	106 569	295 477
S Senwamadi	-	-	-
N G Makgalo	188 908	106 569	295 477
M Tawana	249 764	126 855	376 619
C Matjee	188 908	106 569	295 477
Rampyapedi NF	447 702	192 834	640 536
M A Kobo	249 764	126 855	376 619
A Makgoka	188 908	106 569	295 477
M Malema	188 908	106 569	295 477
N W Seakamela	447 702	192 834	640 536
M Duba	188 908	106 569	295 477
P T Rakimane	188 908	106 569	295 477
M I Mohafe	188 908	102 867	291 775
R L Mpati	188 908	106 569	295 477
M J Manthata	188 908	106 569	295 477
P S Masoga	188 908	106 569	295 477
M J Leferela	188 908	106 569	295 477
N S Ramukhubedi	188 908	106 569	295 477
S E Kobola	188 908	106 569	295 477
T Raphaswana	188 908	106 569	295 477
M D Meso	188 908	106 569	295 477
G M Sepheso	188 908	106 569	295 477
M D Marutha	188 908	106 569	295 477
M P Tloubatlatla	188 908	106 569	295 477
S R Nakana	188 908	106 569	295 477
N Mhopane	188 908	106 569	295 477
	7 982 135	4 079 294	12 031 429

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Financial Statements for the year ended 30 June 2018

Notes to the Financial Statements

Figures in Rand

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2017

38. Budget Differences

STATEMENT OF FINANCIAL PERFORMANCE

38.1 Service Charges

Service charges include the agency services revenue budget.

38.2 Rental of facilities and equipment

The department of Home affairs moved out of the building which means the rental was lost.

38.3 Licences and permits

under collection of revenue is because of the break in at the traffic department Morebeng and the technical challenges of the E-Natis system.

38.4 Agency Services

The budget were part of the service charges budget.

38.5 Gain on sale of assets

The municipality received money for sale of land which was not known at the time of the budget.

38.6 Actuarial Gains

The Actuarial valuation was only performed at year end and therefore the Gain/(Loss) were not known by the time of the budget.

38.7 Other Income

An amount of R26m was part of other revenue as surplus cash and therefore no movement on the trial balance.

38.8 Interest on investments

the municipality did not have enough surplus cash to invest and therefore the interest are less than budgeted.

38.9 Property Rates

Actual for the current month was rectified in respect to the general ledger and the properties received from Aganang

38.10 Government grants & subsidies

The municipality did not budget for unpend conditional grants as it was foreseen that all the money received would be spend during the year.

38.11 Remuneration of councillors

.During Adjustment Budget the councillors budget was adjusted to 10mill before realising that the back pay for councillors was still due. The Municipality then had a veriment for the 2million.

38.12 Personell

Vacant and funded positions not filled

38.13 Debt Impairment

Debts write of resolution for 100% write of on water issued by the District council and 100% Residential write off issued by Molemole Council lead to the Delays in finalizing the impairment as it is having direct impact on final figure

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Notes to the Financial Statements

Figures in Rand	2018	2017
Budget differences (continued)		
38.14 Repairs and maintenance		
38.15 Bulk Purchases VAT differences		
38.16 Contracted services VAT differences and some votes commitments for 2018/2019 financial year end		
38.17 General expenses Reallocation of RAL road from capital expenditure to operational expenditure		
STATEMENT OF FINANCIAL POSITION		
38.18 Inventories More inventory issued hence less stock on hand for the current year		
38.19 Other Debtors		
38.20 Receivables from exchange transactions Less than 5% difference		
38.21 Receivables from non-exchange transactions		
38.22 VAT receivable Additional amount for the current year not yet paid by SARS		
38.23 Cash and cash equivalents Less than 5% difference		
38.24 Investment property The decrease was made of depreciation for the current year		
38.25 Property Plant and equipment The municipality had most projects rolled over to the next financial year which made the value of assets not realised as planned		
38.26 Intangible assets		
38.27 Finance Lease obligation Nothing to compare the municipality did not budget for it		
38.28 Payables from exchange		
38.29 VAT payable Budget for a vat payable but at end of year it was a vat receivable		
38.30 Consumer deposits Less than 5% difference		
38.31 Unspent conditional grants and receipts		
38.32 Other Current Liabilities Found unallocated deposits		

Molemole Local Municipality

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Financial Statements for the year ended 30 June 2018

Notes to the Financial Statements

Figures in Rand	2018	2017
Budget differences (continued)		
38.33 Current Employee Benefits Most officials redeemed their leave in 2016/2017 financial year when they resigned and others contracts ended that decreases the provision of leave		
38.34 Employee benefit obligation long service and medical aid provision for the current year decreased because of two employees that died.		
38.35 Provisions Employee benefit cost not part of budget		
38.36 Revaluation reserve Aganang transfer of assets were included budget but actual part of gains in respect of transfer of function		
CASHFLOW STATEMENT		
38.37 Sale of goods and services The budget did not include the non payment of consumers		
38.38 Grants The allocation as per DORA has changed and therefore less actual.		
38.39 Interest Income The budgeted interest only include the investment interest		
38.40 Suppliers More payments than budgeted because of Aganang transfer.		
38.41 Finance Costs The finance cost budget part of suppliers budget as the National Treasury schedule B does not have separate line item.		
38.42 Purchase of property, plant and equipment Capital projects finance from MIG grants rolled over to next year.		
38.43 Finance lease payments The finance lease contract extended.		
39. Cash generated from operations		
Surplus	41 166 954	56 038 855
Adjustments for:		
Depreciation and amortisation	7 527 326	8 529 314
(Loss) gain on sale of assets and liabilities	(102 235)	33 402
Interest income	(1 575 122)	-
Actuarial gains	(1 472 458)	-
Debt impairment	3 969 726	8 024 716
Movements in long term provisions and retirement benefit liabilities	149 836	(330 119)
Movements in current provisions and retirement benefits	647 504	573 686
Gain on transfer of function	-	(17 577 096)
Changes in working capital:		
Inventories	(24 439)	53 302
Receivables from exchange transactions	(1 694 539)	(2 188 917)
Consumer debtors	-	(8 228 868)
Other receivables from non-exchange transactions	(13 769 219)	(16 621 069)
Aganang debtors	-	10 961 274
Payables from exchange transactions	3 696 473	6 152 802
VAT	(2 155 855)	(1 659 145)
Unspent conditional grants and receipts	(17 002 611)	19 260 553

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Financial Statements for the year ended 30 June 2018

Notes to the Financial Statements

Figures in Rand	2018	2017
39. Cash generated from operations (continued)		
Consumer deposits	1 077	8 857
Other current liability	984 699	(1 991 634)
	20 347 117	61 039 913

40. Financial instruments disclosure

Categories of financial instruments

Financial Assets	Classification	2018	2017
Investments			
Fixed Deposit	Held to maturity	-	-
Consumer Debtors			
Trade receivables from exchange transactions	Financial instruments at amortised cost	12 181 543	7 866 857
Other receivables from exchange transactions	Financial instruments at amortised cost	47 629 368	36 480 288
Call Deposits	Financial instruments at amortised cost	41 580 814	55 606 545
Bank Balances and Cash			
Cash Floats and Advances	Financial instruments at amortised cost	(3 022)	557
Summary of Financial Assets		- 101 388 703	99 954 247

Financial Liability	Classification	2018	2017
Long-term Liabilities			
Capatilised Lease Liability	Financial instruments at amortised cost	513 306	-
Trade Payables			
Trade Creditors	Financial instruments at amortised cost	19 871 147	15 961 812
Bank Balances and Cash			
Bank Balances	Financial instruments at amortised cost	41 577 792	31 324 599
Current Portion of Long-term Liabilities			
Annuity Loans	Financial instruments at amortised cost	-	-
Capatalised Lease Liability	Financial instruments at amortised cost	196 522	294 229
Summary of Financial Liability		- 62 158 767	47 580 640

41. Commitments

Capital Commitments

Commitments in respect of Capital Expenditure

• Infrastructure	14 170 429	29 009 476
	14 170 429	29 009 476

This expenditure will be financed from:

• Government Grants	14 170 429	29 009 476
	14 170 429	29 009 476

Operating Commitments

Commitments in respect of Operating Expenditure

• Operating Expenditure	6 597 740	8 751 320
	6 597 740	8 751 320

This expenditure will be financed from :

Molemole Local Municipality

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Financial Statements for the year ended 30 June 2018

Notes to the Financial Statements

Figures in Rand	2018	2017
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41. Commitments (continued)

• Own Revenue	6 597 740	8 751 320
	6 597 740	8 751 320

Total commitments

Total commitments

Capital Commitments	14 170 429	29 009 476
Operating Commitments	6 597 740	8 751 320
	20 768 169	37 760 796

Operating leases - as lessee (expense)

Minimum lease payments due

- within one year	-	298 772
	-	298 772

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable.

42. Contingencies

Contingent Liability	3 320 390	930 000
Contingent Asset	600 000	520 000

43. Change in estimate

Property, plant and equipment

The useful life of certain other property plant and equipment was estimated in 2017 to be 5 years. In the current period management have revised their estimate to 8 years. The effect of this revision has decrease the depreciation charges for the current period by R 1 803 824 and increase the future periods by R 1 803 824

44. Prior period errors

The correction of the error(s) results in adjustments as follows:

Statement of Financial Position

VAT Receivable

Balance previously reported	7 178 710
Vat claimed from SARS for 5yrs back and not yet paid to municipality	1 756 433
Restated Balance	8 935 143

Unspend Conditional Grants

Balance previously reported	21 279 217
Less : amount incorectly part of CDM water grant as expenditure on the grants went through operating for 20	(270 000)
Less : EPWP grant expenditure allocated through operating expenditure now transfered to grant	(1 279)
Restated Balance	21 007 938

Payables from exchange transactions

Balance previously reported	16 174 673
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Financial Statements for the year ended 30 June 2018

Notes to the Financial Statements

Figures in Rand	2018	2017
44. Prior period errors (continued)		
Old creditors balance written off by council		(212 861)
Restated Balance		15 961 812
Accumulated Surplus - 2017		
Balance previously reported		(189 227 412)
2016 corrections of error		(2 240 573)
Restated Balance		(191 467 985)
Accumulated Surplus - 2016		
Balance previously reported		(133 188 555)
Vat receivable		(1 756 433)
Unspent conditional grants reversed		(271 279)
Old creditors balance written off by council		(212 861)
Restated Balance		(135 429 128)

Statement of financial position

45. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

Statement of financial position

2017

	Note	As previously reported	Re-classification	Restated
Other Debtors		3 388 367	(3 388 367)	-
Receivables from exchange transactions		7 866 857	2 620 147	10 487 004
Receivables from non-exchange transactions		33 091 921	768 228	33 860 149
		44 347 145	8	44 347 153

Statement of financial performance

2017

	Note	As previously reported	Re-classification	Restated
Employee related costs		66 931 269	(2 669 770)	64 261 499
Repairs and maintenance		5 111 003	(5 111 003)	-
Contracted services		3 133 474	10 829 820	13 963 294
General expenditure		51 340 930	(3 049 047)	48 291 883
Surplus for the year		126 516 676	-	126 516 676

Reclassifications

The following reclassifications adjustment occurred:

MSCOA implementation

The municipality has implemented the MSCOA and the expenditure line items has been recclassified as follows:

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Notes to the Financial Statements

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45. Prior-year adjustments (continued)

The subsistence and travelling was previously under salaries and has now moved to general expenditure. The skills development levy was previously under salaries and has now moved to general expenses. The repairs and maintenance was previously disclosed separately but has now moved to general expenditure. Some of the general expenditure line items has now been reclassified to contracted services.

General Expenses	Originally reported	Mscosa Category Re-Classifications	Restated balance 2017
Accommodation and meals	1 410 607	2 639 871	4 050 478
Catering general	59 030	(59 030)	-
Cash Management Services	10 307	(10 307)	-
Building Plans	311 135	(311 135)	-
Consolidation of consumer accounts	191 000	(191 000)	-
Entertainment	-	6 251	6 251
Conferences and seminars	173 907	(173 907)	-
Consultancy fees	927 192	(927 192)	-
Credit control and debt collection	86 660	(86 660)	-
Data Cleansing	529 546	(529 546)	-
Audit of community facilities	99 200	(99 200)	-
Career Exhibition	1 000	(1 000)	-
EAP	92 684	(92 684)	-
Fuel and Oil: Municipal Fleet	1 720 801	5 710	1 726 511
Fuel and Oil: Other	5 710	(5 710)	-
IDP Expenditure	1 153 600	(1 153 600)	-
Integrated Transport Plan	355 241	(355 241)	-
Investor Co-ordination	305 200	(305 200)	-
Repairs and maintenance	-	5 111 003	5 111 003
LED Support Fund	45 026	(45 026)	-
Legal Expenses	771 816	(771 816)	-
Mandela Day	56 592	(56 592)	-
Transport and freight	163 068	(163 068)	-
Subsistence and Travelling - Other	84 155	(84 155)	-
Skills Development Levy	-	600 721	600 721
Promotions and sponsorships	350 311	(350 311)	-
Public Participation	-	1 311 504	-
Re-Pegging of sites	553 435	(553 435)	-
Rental Office Machines : Usage	-	21 504	-
Research and development costs	741 323	(741 323)	-
Revaluation of Infrastructure Assets	189 810	(189 810)	-
Scoa implementation:fmg	2 054 031	(2 054 031)	-
Special Focus - Woman	517 996	(517 996)	-
Other expenses	1 019 217	(405 515)	613 702
Training and Education : FMG	146 691	(149 691)	-
Valuation Roll Costs	1 028 420	(1 028 420)	-
	15 154 711	(1 716 037)	12 108 666

Contracted Services	Originally reported	Mscosa Category Re-Classifications	Restated balance 2017
Outsourced services	-	9 153 421	9 153 421
Consultants and Professional Services	-	1 383 016	1 383 016
Contractors	3 133 474	293 382	3 426 856

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Notes to the Financial Statements

Figures in Rand	2018	2017
45. Prior-year adjustments (continued)		
Public Participation	-	1 311 504
Rental Office Machines : Usage	-	21 504
	3 133 474	12 162 827
		13 963 293
Salaries	Originally reported	Mscoa Category Re-Classifications
		Restated balance 2017
Accommodation and meals	600 721	(600 721)
Advertising	2 069 049	(2 069 049)
	2 669 770	(2 669 770)

The municipality has implemented the MSCOA and the general expenditure line items has been reclassified as follows:

The subsistence and travelling was previously under salaries and has now moved to general expenditure. The skills development levy was previously under salaries and has now moved to general expenses. The repairs and maintenance was previously disclosed separately but has now moved to general expenditure. Some of the general expenditure line items has now been reclassified to contracted services.

46. Risk management

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	19 871 147	-	-	-
Other financial liabilities	1 809 795	-	-	-
At 30 June 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	16 174 673	-	-	-
Other financial liabilities	825 096	-	-	-

Credit risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.

Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

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Notes to the Financial Statements

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46. Risk management (continued)

Receivables are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

The credit quality of receivables are further assessed by grouping individual debtors into different categories with similar risk profiles. The categories include the following: Bad Debt, Deceased, Good payers, Slow Payers, Government Departments, Debtors with Arrangements, Indigents, Municipal Workers, Handed over to Attorneys and Untraceable account. These categories are then impaired on a group basis based on the risk profile/credit quality associated with the group.

Balances past due not impaired:

Non-Exchange Receivables

	2018 Percentage	2018 Amount	2017 Percentage	2017 Amount
Rates	100,00%	69 523 515	100,00%	56 605 138
	100	69 523 515	100	56 605 138

Exchange Receivables

	2018 Percentage	2018 Amount	2017 Percentage	2017 Amount
Electricity	46.90%	6 721 078	30.72%	5 048 021
Refuse	49.90%	7 151 365	41.75%	6 861 800
Other	4.2%	447 381	27.52%	4 522 478
	100	14 319 824	100,00%	16 432 299

No receivables are pledged as security for financial liabilities.

Due to the short term nature of trade and other receivables the carrying value disclosed in note & of the financial statements is an approximation of its fair value. Interest on overdue balances (rates) are included at 15% where applicable.

The provision for bad debts could be allocated between the different classes of debtors as follows:

Non-Exchange Receivables

	2018 Percentage	2018 Amount	2017 Percentage	2017 Amount
Rates	100%	20 833 233	100,00%	20 833 233
	100	20 833 233	100	20 833 233

Exchange Receivables

	2018 Percentage	2018 Amount	2017 Percentage	2017 Amount
Electricity	33.3%	2 618 253	33.3%	2 618 253
Refuse	39.2%	3 082 818	39.2%	3 082 818
Other	27.5%	2 165 107	27.5%	2 165 107
	100%	7 866 178	100,00%	7 866 178

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The entity only enters into non-current investment transactions with major banks with high quality credit standing. Although the credit risk pertaining to non-current investments are considered to be low, the maximum exposure are disclosed below.

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Financial Statements for the year ended 30 June 2018

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Figures in Rand	2018	2017
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46. Risk management (continued)

The banks utilised by the municipality for current and non-current investments are all listed on the JSE (NEDBANK). The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Interest rate risk

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

Foreign exchange risk

The municipality does not engage in foreign currency transactions.

Price risk

The municipality is not exposed to price risk

47. Unauthorised expenditure

Opening Balance	16 720 220	12 424 809
Add: Unauthorised expenditure - Current year	1 433 680	10 227 096
Less : Amount written of by council	(16 720 220)	(5 931 685)
	1 433 680	16 720 220

48. Fruitless and wasteful expenditure

Opening Balance	192 385	202 264
Add: Fruitless and wasteful expenditure - Current year	46 071	6 245
Less : Amount written of by council	-	(16 124)
	238 456	192 385

49. Irregular expenditure

Opening balance	3 978 140	7 674 820
Add: Irregular Expenditure - current year	-	512 734
Less: Amounts condoned	-	(4 209 414)
	3 978 140	3 978 140

50. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	964 750	806 190
Amount paid - current year	(964 750)	(806 190)

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Notes to the Financial Statements

Figures in Rand	2018	2017
50. Additional disclosure in terms of Municipal Finance Management Act (continued)		
	-	-
Audit fees		
Current year subscription / fee	2 459 558	1 925 948
Amount paid - current year	(2 459 558)	(1 925 948)
	-	-
PAYE and UIF		
Current year subscription / fee	12 648 269	11 810 141
Amount paid - current year	(12 648 269)	(11 810 141)
	-	-
Pension and Medical Aid Deductions		
Current year subscription / fee	11 240 361	10 264 249
Amount paid - current year	(11 240 361)	(10 208 553)
	-	55 696
VAT		
VAT receivable	12 600 972	11 435 039
VAT payable	(1 509 974)	(4 256 329)
	11 090 998	7 178 710
VAT output payables and VAT input receivables are shown in note .		
All VAT returns have been submitted by the due date throughout the year.		
Councillors' arrear consumer accounts		
During the 2018 year no Councillors had arrear accounts outstanding for more than 90 days.		
During the year 2017 no Councillors' had arrear accounts outstanding for more than 90 days.		
Supply chain management regulations		
In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.		
Incident		
Sole Supplier	1 896 417	3 389 409
	1 896 417	3 389 409
51. Distribution Losses		
Electricity Distribution Losses (Units)		
Units Purchased	7 270 509	6 277 179
Units Sold	5 661 886	5 179 269
Units Loss	1 608 628	1 097 910
Percentage distribution loss	22%	17%

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Notes to the Financial Statements

Figures in Rand	2018	2017
51. Distribution Losses (continued)		
Electricity Distribution Losses (Rands)		
Electricity Purchased	9 198 303	7 502 657
Electricity Sold	8 300 884	7 129 408
Electricity Loss	897 419	373 249
Percentage distribution loss	10%	17%